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The Madoffization of Society: A Corrosive Process in an Age of Fictitious Capital

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Abstract

In 2009, US financier Bernard (Bernie) L. Madoff was jailed for 150 years after pleading guilty to running a massive ponzi scheme. While superficial condemnation was widespread, his US$65 billion fraud cannot be understood apart from the institutions, practices and fictions of contemporary finance capitalism. Madoff's scam was rooted in the wider political prioritization of accumulation through debt expansion and the deregulated, desupervised and criminogenic environment facilitating it. More generally, global finance capital reproduces many of the core elements of the Madoff scam (i.e. mass deception, secrecy and obfuscation), particularly in neoliberalized Anglophone societies. We call this 'Madoffization'. We suggest that societies are 'Madoffized', not only in the sense of their being subject to the ill-effects of speculative ponzi finance, but also in the sense that their prioritization of accumulation through debt expansion makes fraudulent practices, economic collapse and scapegoating inevitable.

Keywords

crisis, fictitious capital, financialization, fraud, neoliberalism, political economy

Introduction

In 2009, Bernard (Bernie) L. Madoff, a US financier, was jailed for 150 years after pleading guilty to running a ponzi scheme where he defrauded billions of dollars from his clients. Madoff's notoriety spread with television documentaries, books and innumerable commentaries describing his 'extraordinary' theft and its consequences for his investors. However, was Madoff's scheme exceptional or does it tell us something about a more pervasive and corrosive institutionalized process?

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Against the backdrop of widespread superficial condemnation, we contend that Madoff represents something much more significant than a 'rotten worm' in an otherwise 'healthy green apple' (Žižek, 2009: 36). While Madoff committed outrageous crimes, his US$65 billion ponzi scheme depended on deregulation, desupervision and established institutional mechanisms of mass deception. Madoff's fraud was rooted in a criminogenic environment that was simultaneously facilitating a wave of 'control fraud' (Black, 2005) right across the financial, insurance and real estate (FIRE) sector. When set against this, the Madoff case appears to be the tip of an iceberg. We suggest that the dominance of fictitious finance capital, which prioritizes debt expansion as a means of accumulation, necessitates mass deception, secrecy, obfuscation and, eventually, scapegoating. We refer to this as 'Madoffization'. The reference here is not to Madoff's scam as such, but to the neoliberalized institutions that facilitated his 'insane' extractive practices and those of global finance capital more generally.

After outlining the idea of the ponzi scheme and Madoff's scam, we will flag the political economic conditions under which Madoffization has developed and morphed into its current form. As part of our discussion we compare the basic mechanics of Charles Ponzi's original scam to that developed by Bernie Madoff, considering the scale of the latter in terms of its institutional(ized) supports. We identify conditions and features of finance capital, especially in neoliberalized Anglophone nations, that Madoff found ready-made and upon which the full development of his scheme and the broader Madoffization of 21st-century society depended. This, we would stress, provides an important qualifier to our discussion. Rather than obsessing about 'deviant individuals' and surface events, we are interested in critiquing the systemic contradictions and consequences of financial capitalism – a system in decline and which is devouring itself (Ticktin, 2009). Correspondingly, Madoff and his ilk should be viewed as substitutable actors who capitalize(d) upon a deeply flawed system that temporarily 'fixed' past crises but which is increasingly fragile and unsustainable.

Bernard L. Madoff Investment Securities LLC: A Simple Ponzi Scheme?

A ponzi scheme is a fraudulent financial arrangement where funds from unsuspecting new investors are used to pay older investors. Charles Ponzi, in early 20th-century USA, became the namesake for this scam after he extracted several million dollars from investors ~~(Zuckoff, 2005)~~. As described in Mitchell Zuckoff's (2005) account, investors were led to believe that their money was being invested in International Postal Union reply coupons, purchased in one country and redeemed elsewhere. According to Ponzi's cover story, profits were made legitimately by exploiting differences in currency quotations. Ponzi's story, along with the promise of a 50 percent return on money left with him for 90 days, attracted investors. The problem was that no such investments were actually made. Ponzi, a former convict, reportedly hoped to go 'legitimate' but discovered that there would have been immense practical problems when trying to implement his coupon redemption plan. Instead, as part of a 'get rich quick' scheme that snowballed out of control, Ponzi used the inflows from new investors to pay returns to earlier investors – a classic case of robbing Peter to pay Paul.

Ponzi's scheme required a constant stream of new investors, which meant that existing and potential clients had to believe that real trades were being made. Fabricated evidence of trades and returns, executed by a fictitious European contact, enabled Ponzi temporarily to deflect suspicion, develop trust among clients and his employees and sustain an illusion of minimum risk. When coupled with a rate of return that would make almost any risk seem worth taking, Ponzi and his commission-incentivized team convinced increasing numbers of people to part with their money. When the initial investors' high expectations were subsequently realized, trust in the scheme appeared justified, which made it easier for more cautious investors to believe that the operation was legitimate, that trades were actually being made, that funds were growing overall and that there was little danger that the principal sum invested would be lost. Indeed, Ponzi's firm reassured clients that they could receive a full refund prior to the maturity of their certificates, albeit without interest. Enthralled with Ponzi's scheme, many clients 'rolled over' their initial capital plus interest in the expectation of greater future gains. Some investors even worked for Ponzi, selling a 'product' they personally benefitted from and sincerely believed in.

An interesting feature of Ponzi's arrangement was that his victims played a central role in perpetuating and expanding the deception, however unwittingly. Such deception was necessary because the scheme could only continue so long as it grew in scale. Ever greater inflows were required and these were possible only because the recipients boasted that they had more than doubled their money within six months (even if they never actually collected these gains, in anticipation of an even larger future pay-out). Ponzi was, in turn, able to accumulate several million dollars in the bank, with his bank statements serving as a prop for publicly sustaining confidence and attracting even more investors. Such expansion, of course, also depended upon his marks' culturally forged aspirations wherein the opportunity to 'make money in one's sleep' was difficult to resist: the realization of the American dream! However, dreams and reality digress. With early entrants in Ponzi's scheme devouring the capital of subsequent entrants, delivery of high stable returns to investors meant the scheme would have to expand exponentially. Schemes conforming to Ponzi's model are fragile since the claims on wealth continue to expand, but the wealth does not. Claims inevitably out-strip the capacity to deliver on them, though, in Ponzi's scam, this accelerated following a suspension of deposits during a regulatory enquiry alongside concerns raised by an increasingly critical media.

The Madoff case, which came to light almost a century later, is in many respects comparable to Ponzi's scam. As with Ponzi's exploitation of the American Dream, Madoff obtained an inflow of funds by carefully fostering the belief that steady returns were certain. Again, this was based on fictitious claims. Before elaborating upon this, however, three immediate differences are worth noting. First, Madoff was much better placed than Ponzi to exploit people's trust. Madoff established his 'sterling' reputation over several decades on Wall Street as a successful financier and former chairman of the NASDAQ stock exchange (which he helped found in 1971 and chaired in the late 1980s and early 1990s). Second, Madoff's scam dwarfed Ponzi's scheme in its size and reach. According to the office of the Unites States Attorney, 'investments' with Madoff were worth just under US$65 billion on paper (Lewis, 2010a). Lionel Lewis (2010a: 439) writes that up to the point of collapse in 2008, 'individuals and institutions from over 40 countries, 339 funds, and 59 management companies were invested with' Madoff. Some of his biggest investors were banks, such as Santander with US$2.87 billion in exposure (Lewis, 2010a: 441). Third, Madoff's downfall was the consequence of a broader systemic crisis rather than the sustained actions of regulators and journalists. It was during the 2008 banking crisis and near meltdown of the financial system (CBS News, 2011) that Madoff's firm encountered 'liquidity' problems. It was at this time that many clients wanted to exit the market and sought redemptions equalling several billion dollars. However, Madoff's clients would be in for a shock along with his family who, according to public accounts, were not privy to his secret.

On 10 December 2008 Madoff reportedly confessed to his family that his business had been insolvent for years (Voreacos and Glovin, 2008). Referencing an attorney's statement – issued on behalf of Madoff's sons, traders at Madoff Investment Securities – it is claimed that they 'promptly' turned their father in to the authorities. Upon apprehension Madoff told the FBI that his business was 'just one big lie' and 'basically, a giant Ponzi scheme' (van de Bunt, 2010: 436). During subsequent legal proceedings, including the prosecution of Madoff's close senior colleague, Frank DiPascali Jr, 'one simple fact' to transpire was that 'no purchases or sales of securities were actually taking place in [clients'] accounts. It was all a fake. It was all fictitious' (cited by Lewis, 2010b: 534). While the basic mechanics of Ponzi's scheme were repeated in the Madoff case, we would argue that a fraud on such a scale, developed almost in plain sight, required deep roots in the wider financial, political and regulatory systems. The Madoff case demonstrated that no matter the volume of wealth 'managed', no matter the practices or risks involved (ranging from security and wire fraud to money laundering) (Lewis, 2010b), it was possible to get an all-clear from the ~~SEC~~. It also demonstrated that the feeder funds involved could get the all-clear from the biggest and most respected accountancy firms and rating agencies. Somewhat ironically, Madoff's ability to obtain 'a clean bill of health' from the ~~US government's Securities Exchange Commission (~~SEC~~)~~ – an organization that claims to protect investors – also enabled him to reassure more investors and thus continue to extract funds over two decades (Lewis, 2010b: 539).

In a sense Madoff's fraud fell through a net that was designed to catch nothing and which, especially in the 'deregulated' environment that proliferated from the 1980s onwards, would 'lead to a greater weight of speculative-ponzi activity' in the system (Rasmus, 2008: 23). In short, the growth of Madoff's scheme was inextricably linked to the processes of deregulation and desupervision, which enabled 'control fraud' to flourish within the FIRE sector. Former regulator William K. Black (2005) explains that while certain regulations may still hold in legal terms, if they are not supervised then they may as well not exist. It is in this context that Black (2005: 1–5) defines control fraud as a company that may be used offensively or defensively 'to defraud others' through accounting tricks (notably, massively overvaluing assets) while making such fraud 'difficult to detect and punish'.

Despite this criminogenic environment some of the most astute investors stuck with Madoff to the very end. Fraud investigator Harry Markopolos (2010) noted that investors were often in awe of Madoff's apparent ability to beat the market. Indeed, Madoff's clients believed they were making substantial returns year on year without exception. Also, unlike most other firms, but in echoing Ponzi's scam, investors were given the option of withdrawing their money at any time, which aided the illusion of near-zero risk. According to Markopolos, investors usually 'felt privileged that he [Madoff] had taken their money' (2010: 39). The apparently favourable arrangements they entered into with Madoff produced a form of cognitive dissonance, which ended only with his arrest by the FBI for securities fraud. As Markopolos (2010: 38) puts it: 'Madoff was the Wizard of Oz, making everybody so happy that they didn't want to look behind the curtain'. Several clients and managers of feeder funds suspected that Madoff was front-running or profiting on the basis of some other fraud, but left their investments in place since they believed themselves to be the beneficiaries rather than the victims. Doubts were also weighed against the expectation that they could quickly remove their money if necessary. That might have been possible if Madoff had been conducting another form of fraud. However, when it comes to ponzi schemes, collapse is usually sudden, total and without warning (as happened in 2008). Although early investors had realized returns, overall wealth had not increased and by 2009 Madoff faced life behind bars while most of his clients would lose almost everything.

An interesting aspect of this case is that many 'insiders' assumed Madoff's operation was fraudulent and accepted it (Markopolos, 2010). This sneaking regard for fraud was nothing new. During the extensive investigations of the US Savings and Loans (S&L) crisis in the late 1980s, Black (2005) concluded that particular regulatory environments lead to the normalization and acceptance of fraud among so-called ultra-high-net-worth-individuals, financial firms, government officials, regulatory agencies, rating agencies and accountancy firms. However, few could have predicted the effective decriminalization of financial fraud thereafter. Black (2011) contrasts the sentencing of over 1000 insiders during the S&L debacle with the much larger and largely unpunished wave of fraud exposed in the wake of the 2008 collapse. In fact, as per the bailout of Wall Street following the US subprime mortgage crisis, crime paid for many of the big institutional players (those deemed 'too big to fail').

In short, the 'regulatory environment' that served to obscure the fraudulent mortgage-backed securities market also obscured Madoff's practices, at least as far back as 1992 (Lewis, 2010b). Each operated under the cover of a systemically manufactured chimera of respectability. Markopolos (2010), who uncovered evidence of Madoff's fraud as early as 2001, sought in vain to find a receptive audience. ~~Up~~ to 2008 whistle-blowers and fraud investigators were often ignored, partly because questioning irregularities in particular cases drew attention to the institutional mechanisms of mass deception and the sources of legitimacy that served the rest of the FIRE sector so well. To seriously question Madoff was to open a can of worms in a domain where client confidence and trust is requisite. While Madoff was subsequently scapegoated when his ponzi scheme imploded, alongside SEC regulators who were presented as 'bureaucratic dullards' (Lewis, 2010b: 538), we contend that to expose his fictions at the height of his colossal scam would be to risk exposing the entire Madoffized system. To appreciate this more fully we need to situate Madoff's scheme in the post-1970s era of global neoliberalization and unfettered financialization.

Conditions for the Madoffization of Society: Global Neoliberalization and the Resurgence of Fictitious Finance Capital

As Karl Marx (1990 [1867]) explains in his critique of political economy, capitalism is imbued with systemic contradictions, such as the problem of declining opportunities for profitable investments. This is a recurrent problem, and, as with the 1929 stock market crash and Great Depression, its consequences have proven disastrous for millions of people. Thereafter, various 'doubled edged fixes' emerged. War, imperialism or US super-imperialism, the New Deal, Keynesian stimulus policies and so-called military Keynesianism (Cold War spending) were the consequence of and partial remedy for structural contradictions, helping to 'sustain' capitalism. However, as explained by David Harvey (2001: 24) when using the metaphor of the drug addict, the 'fix' is always temporary. Moreover, as with interest-bearing fictitious capital, the 'fix' may serve as 'the fountainhead of all manner of insane forms' (Marx, 1991 [1894], cited by Harvey, 2006 [1982]: 266–70).

In the post-1970s era, efforts to 'resolve' capitalism's tendency towards over-accumulation (surplus value that cannot be profitably absorbed) included a reinvigorated emphasis on the 'spatial fix', i.e. geographic expansion and restructuring of capitalist activity in the neoliberal phase of globalization (Harvey, 2001). Greater relative weight was also afforded to finance over industrial capital, particularly in the USA and UK. Again, these spatio-temporal fixes helped mitigate capitalism's crisis-tendencies in the 'core' while sowing the seeds for future (bigger) problems on a global stage. Of course, following our reference to Marx (1991 [1894]), finance has played a recurrent role in the history of Western capitalism. For instance, it was dominant in 19th-century Germany (Hilferding, 1910), and the era preceding the 1929 crash was a period of speculative 'high finance' (De Vogli, 2011). However, the resurgence, transmutation and global expansion of finance capital in the post-1970s era are significant for our thesis. This process was intimately entwined with the rise of neoliberalism, deregulation and desupervision (faith in market fundamentalism and self-regulation outside of national or global governance). These structural changes provided the fertile conditions under which Madoffization – almost virus-like – emerged and developed.

The 1970s, under the 'tutelage' of the capitalist elite and neo-classical economists, marked the beginning of the end of the post-war consensus and capitalism's so-called Golden Age. As the Bretton Wood System unravelled, the commitment to full employment was abandoned; the 'reserve army of labour' was partially revived and new opportunities for investment were created by means of deregulation, privatization and financialization. Finance capital, according to Harvey (2006 [1982]: 293), is not entirely negative: a sophisticated 'credit system' lubricates the circulation of capital. Yet, finance can be pushed to an extreme, as happened with the neoliberal finance-led process of globalization, so that its connection with labour becomes highly tenuous and its 'parasitic' tendencies prevail (Ticktin, 2010: 361). With the resurgence of finance capital post-1970, rent-seeking behaviour acquired greater significance alongside global movements of excess 'liquid capital' that sought higher returns outside of domestic environments (Deutschmann, 2011: 354). For Hillel Ticktin (2010) the timing of this shift was no accident. Members of the ruling class were finally forced to revive and expand finance capital with the worldwide revolts that erupted in 1968, after which time the policy of full employment was abandoned and workers were disciplined through job insecurity. The tendency thereafter – in the parts of the world dominated by finance capital – has been towards deindustrialization. What was especially perverse was that workers' savings, via 'pension-fund' or 'money manager capitalism', were appropriated and used to attack labour and industrial capital (e.g. through corporate looting and asset stripping) (Hudson, 2010: 439).

Although the geographic spread of neoliberalization has been uneven, upper classes benefitted from this redistributive project (Harvey, 2005). Neoliberalization basically helped curb the militancy of the working class in various developed nations while channelling surplus capital into 'profit-generating' domains such as off-shore industry or, more lucratively, finance capital itself (Ticktin, 2009). In the decades after 1970, capital was increasingly devoted to *interest-bearing debt* creation, and the subordination of the real economy to those rent-seeking and short-termist speculative endeavours that characterize financial or casino capitalism. Consequently, in most OECD countries (but especially those with weaker labour unions), rentiers enjoyed an increasing share of national income (Deutschmann, 2011). Harvey (2005: 90) similarly notes that 'entrepreneurial financiers … consolidated large fortunes' and, as with US CEOs, became the envy of other elites in countries less dominated by neoliberalism. Financialization thus bolstered the fiction that money creates wealth out of thin air – the fantasy of 'making money from money itself in a sterile "zero sum" transfer of payment' (Hudson, 2010: 424).

The notion that it is possible to create wealth apart from the process of production is an obfuscation of reality. Only capital that is invested productively increases the mass of goods and services, resulting in relatively clear exchange values, as abstract labour (value) is embodied in the items produced (Marx, 1990 [1867]: 125–52). Since productive capital exploits abstract human labour, the surplus drawn from it can be reinvested again in the process of commodity production; this is why productive capital is said to be self-expanding. In contrast, finance capital is sterile and disembodied. It merely transfers capital from where it is originally accumulated to itself (Blunden, 2010; Ticktin, 2009). Hence, finance capital represents an overhead; it does not produce use value and it is not self-expanding capital. Any *apparent* expansion of wealth in the financial sector is really just an expansion of its claims on wealth (Soddy, 1926). Michael Hudson (2010: 421) reiterates this point when critiquing the 'imaginary' financial claims made by the likes of Goldman Sachs, which, if left unchecked, pave the way for debt-peonage and the neo-feudal tollbooth economy.

Understood as such, finance or 'money capital' it is not really capital, which is why Marx called it 'fictitious' (Marx, 1991 [1894]: 525–40). The returns to financial investors must be drawn from the surplus value extracted by productive capitalist firms. Productive or not, every unit of capital demands its pound of flesh. Any broad shift in the direction of fictitious capital means that the surplus value has to be distributed among an increased mass of unproductive capital, spreading it more thinly (Blunden, 2010). Restated, finance capital deals in ever-expanding claims on wealth, which can only be satisfied if wealth production occurs in the real economy. The picture is, of course, complex and we lack the space to discuss all possible relevancies. What we would emphasize here, though, is that finance became a key mechanism of extraction (secondary exploitation, dispossession) in neoliberalized nations via usurious bank lending on a vast scale, as occurred during the recent housing boom on both sides of the Atlantic. This speculative frenzy, in turn, paved the way for the sudden implosion of the global derivatives market and capitalism's first great crisis in the 21st century.

The massive growth of fictitious (usury, parasitic) finance capital and, by extension the Madoffization of society, accelerated post-2000. Various 'enablers' and 'stimulants' were instrumental, such as the repeal of the US Glass-Steagall Act in 1999, established after the 1929 crash in order to ensure safer banking practices. Financialization was also spurred by rapid developments in the forces of production (computer technology, notably the internet that enabled instant global trading) (Hassan, 2011) and capitalism's finance and securitization revolution in commodity money forms and intermediaries: for instance, Credit Default Swaps and Structured Investment Vehicles. Jack Rasmus (2008) flags these instruments when critically extending the theories of Hyman Minsky and Karl Marx to the deepening global crisis. That is, 'an epic recession' attributable to *antecedent fundamentals* that have resulted in exponential debt expansion and subsequent insolvency at the sovereign level.

In line with Rasmus (2008: 7), we concur that finance capital has achieved dominance in a global context where 'the drive for profitability amidst systemic counter-pressures reducing profitability' explains, in no small part, the acceleration of speculative and super-speculative (ponzi) finance in the 21st century. Rasmus describes the massive acceleration of financially destabilizing speculation during the past decade, as market participants pursued the fragile fantasy of super-profitable quick returns 'by borrowing or by selling [inflated] assets' (2008: 21). Clearly, then, the fantasy that Ponzi and Madoff exploited – the dream of quickly making money without effort – has persisted (proliferated) under conditions of global neoliberalization. These are the conditions for the Madoffization of society more generally.

Core Elements of Madoffization

Core elements of Madoffization, which reflect and reproduce the underlying irrationality of financial capitalism, include: (1) accumulation through debt expansion, (2) mass deception, (3) efforts to maintain secrecy and silence, (4) obfuscation and (5) scapegoating. These elements, in varying combinations and with different emphases, have proven instrumental in the larger neoliberal class project of accumulation through dispossession (Harvey, 2005) though, as with ponzi investing, this process is ultimately unsustainable. We outline each of these elements below under separate subheadings as part of an ideal typical model. We would stress that in practice these elements, exemplified in the Madoff case but also observed in the larger society, are often intertwined. Finally, Madoffization is not an all or nothing process. In particular instances there may be different degrees of Madoffization, with various elements and combinations of elements coming to the fore.

Accumulation through Debt Expansion

One of the fictions of finance capital is that debt equals wealth, with terms such as 'credit' obscuring the reality of indebtedness. Madoff incurred massive debts as a consequence of his ponzi scheme and these debts were transferred to clients who had previously assumed they were solvent, if not wealthy. More generally, if global neoliberalization entails accumulation of wealth for elites by dispossession (Harvey, 2005), then, within the Madoffized society, massive debt expansion plays a key role in this process. Debts, such as mortgages for massively overvalued homes in 'advanced' economies, have increased rapidly in recent years. Debt expansion proceeded as managers of capital surpluses (banks, hedge funds, etc.), plus many homeowners, hoped to gain from speculative and ponzi finance (Rasmus, 2008). Yet, as with Ponzi and Madoff, what on paper appears to be wealth is actually interest-bearing debt that has to be paid regardless of the medium- to long-term ability of the debtor. In that respect, Madoffization and the present crisis are bound up with a form of accumulation that is not only unsustainable but also counterproductive.

Given the dominance of bank lending for real estate in this equation, we would flag the ~~worlds'~~ largest financial firms' dependence on the securitization of 'liar loans' (mortgages approved without adequate documentation or any documentation on the debtors' abilities to repay), and on the billions accumulated on this basis. The first decade of this century saw liar loans issued in unprecedented numbers, and thereafter packaged and sold on the global securities market. The subprime portion of the mortgage market – fuelled by the banks' 'teaser' interest rates that led millions of poor people to buy into the dream of home ownership right up until the property bubble burst (Blackburn, 2008) – accelerated rapidly after 2003. According to Rasmus (2008) there were more than $635 billion in subprime loans in the US by 2005. Another $600 billion of subprime loans was added in 2006. The trading of securities, backed by subprime loans, boosted the 'profits' of firms like Goldman Sachs. Billions of dollars were accumulated in the salaries, bonuses and stock options. The nature of the debts backing trades was not disclosed. The form of accumulation that they facilitated invariably involved deception, made possible with support from one of the top tier auditing firms, regulators and one of the three main rating agencies, which provided AAA ratings for these financial products (Black, 2011). Hence, the pass Madoff exploited should be seen in its generalized form, stemming from a misrepresentation of rapidly expanding debt as wealth.

Since finance capital is unproductive, a 'free-luncher' in Hudson's (2010) terms, any gains that are realized must involve a loss elsewhere. So-called 'gains' represent no more than overheads on productive capital. Consider, for example, how private equity firms leave profitable industries loaded with debt, or bankrupt. In 2004, US private equity firm Blackstone bought Southern Cross: the UK's largest care-home business, caring for 31,000 elderly people. The company, which was bought for £162m, was sold on three years later, leaving the company with a £250m rent bill; Blackstone is believed to have quadrupled its original investment. The returns on such an investment cannot be considered 'wealth creation' by any stretch – no extra buildings were constructed, no extra beds became available and no extra meals were served. The company's homes were simply sold off, forcing Southern Cross to lease the properties from the new owner (Shipman, 2011).

As this example illustrates, gains are only achievable as part of a zero-sum game (also see Ticktin, 2010). Such speculative/parasitic activity rests either on unequal trades within the FIRE sector itself (trades that necessitate deception) or they rest on a diminution of wealth outside of the FIRE sector. The latter includes asset stripping, involving temporary (debt-leveraged) asset-price inflations, with accumulation realized through loading other parties with debt. More broadly, entire societies have become massively indebted because of suicidal government 'bank bailouts' following the most recent frenzy of speculative (ponzi) activity, the inevitable unwinding of asset prices and subsequent insolvency of 'big' players in the FIRE sector. In that respect, accumulation through debt expansion has run amok in the Madoffized society. Disturbingly, it is in this context that the World Economic Forum hungers for continued debt expansion, claiming that an extra US$100 trillion in 'credit' is needed to support global 'economic growth' [sic] (Rowley, 2011). In the Madoffized society the 'answer' to a debt crisis is to load people with even more debt, the enormity of which is difficult to comprehend.

Mass Deception: From Control Fraud to Collective Delusion

Accumulation through debt expansion is advanced through dishonest business practices. Indeed, the FIRE sector is a well-documented domain of mass deception and fraud where 'business as usual' too often comprises 'outright illegality' (Hassan 2011: 395). Of course, swindling in its various guises is not new; 'stock watering', for example, where speculators borrow money in order to make a killing at other people's expense, was common in early 20th-century finance (Harvey, 2006 [1982]: 277). Yet, when discussing the proliferation of deception in today's context we would accord significance to the broader neoliberalized environment that has provided fertile conditions for institutionalized fraud. As noted above with reference to the S&L scandal, Black (2005) uncovered massive institutional fraud committed by bankers and politicians. Such 'control fraud' is another core element in the Madoffization process.

While Black (2005) immediately points out that control fraud destroys trust, such deception also reflects and helps to reproduce exploitative class relations. The end of debt expansion involves, in the final analysis, securing claims on wealth by transferring debts to unsuspecting victims (though victimhood may be deferred to the future, and, as with the current sovereign debt crisis in countries such as Ireland, victimhood includes entire nations). The main beneficiaries of this parasitism are high-net-worth investors and the top executives of financial firms, a transnational cabal or 'feral overclass' (see Monaghan and O'Flynn, 2012). Such transfers invariably involve bending or breaking established regulations; insiders amass fortunes through deception, which is to the long-term detriment of other people who are less favourably placed in the divided and divisive Madoffized society.

There is a documented method to this madness. While specifics will vary according to context, the pattern outlined by Black (2005) in the S&L debacle involves the deliberate issue of bad loans. In the short term, high profits are reported which, in turn, allows massive bonuses to be claimed. Black (2011) later pointed out that for 80 percent of the 'liar loans' the deception was on the part of the lending institutions, not borrowers. While some of Madoff's deceptions were blatant (e.g. wire fraud), control fraud rarely involves direct theft such as through transfers to personal accounts. Control frauds depend instead on deceptive accounting (to record high profits and to hide losses), regulators and rating agencies. Black (2005: 2) points out that all of the frauds involved in the S&L debacle managed to get the all-clear from at least one of the so-called 'Big 8' audit firms. The fraudsters were able to shop around for accommodating accountants, appraisers and attorneys. Black (2011) maintains that this environment makes waves of control fraud inevitable. No lessons in how to reduce such fraud were learned as a consequence of the 1980s S&L debacle; the criminogenic environment was maintained and proliferated right up to the cataclysmic crash of 2008.

The proliferation and normalization of fraud reflect the power and influence of the FIRE sector, wherein institutionalized dishonesty often pays. Understandably, then, Slavoj Žižek has cautioned against all attempts to pathologize Madoff as an aberrant individual. Žižek (2009: 36) claims that 'the temptation to "morph" legitimate business into a pyramid scheme is part of the very nature of the capitalist circulation process', and that 'the very dynamic of capitalism blurs the frontier between "legitimate" investment and "wild" speculation'. The desupervision of finance ensures that claims on wealth expand quite quickly, until a point is reached where financial firms can only keep a boom going 'by lending their customers the money to pay interest and thus avoid default' (Žižek, 2009: 35–6). In the lead up to a crisis, investment houses take clients' money and issue promises of returns, even though the value of the investments must collapse. We are reminded here of parallel processes at the sovereign level; notably, Greece's so-called 'bailouts' in 2011 and 2012.

In the USA, the engine room of global ponzi finance, investigative journalists have been busy exposing FIRE sector fraud. Matt Taibbi (2010, 2011) presents a colourful complement to financialization literature where 'fraud and deception' are noted strategies for boosting profits (Deutschmann, 2011: 358). Taibbi recently extended his 2010 argument that Goldman Sachs, the most powerful investment bank, is a 'vampire squid'. Goldman Sachs's predation includes 'securities fraud' or betting against mortgage-based products it sold to its own clients, with the bank subsequently paying several million dollars in compensation – small change relative to the billions extracted during the height of the US housing bubble. Taibbi (2011), citing a recent Senate committee report, also alleges that executives of Goldman Sachs not only stole from customers but also lied about this to Congress. We would add that practices defined as fraudulent, at least from the perspective of an investment firm's clientele, may also be legal as international companies exploit 'loopholes' in different countries. Consider, for example, the recent scandal surrounding MF Global's bankruptcy and so-called re-hypothecation. This 'chain of debt obligations' basically entailed MF Global using clients' funds for, subsequently unsuccessful, bets with the resultant 'loss' (theft) of over US$1 billion (Elias, 2011).

Whether such redistributive practices are consciously executed, Machiavellian-like, by parasitic key actors and institutional players is secondary to our observation that some form of shared deception must emerge among myriad actors within an exploitative system of structured social relations. These actors, while varying in their degree of intent and culpability, have an individual and/or collective stake in the game – or 'gaming the system' – until it becomes untenable. In short, mass deception is an interactive and structurally enabled process within a broader financialized system that might be interpreted by some as 'resilient and self-stabilizing' but which in actuality is highly volatile and devoid of 'effective forms of economic or democratic control' (Hassan, 2011: 388). This element of Madoffization may be broken down further. In addition to the obvious exploitation of trust, upon which control fraud depends, we would draw attention to collective and self-deception.

First, let us consider self-deception. Importantly, we are not simply dealing with a dichotomized one-way process here consisting of the deceiver and the deceived. Returning to the namesake of the pyramid scam, we are reminded of how Charles Ponzi deceived himself with the belief that it was possible to 'buy' sufficient time in order to 'go legitimate' and avoid another, much dreaded, spell in jail (Zuckoff, 2005). Similarly, Bernie Madoff reportedly confessed 'I have been lying to myself' as well as everybody else (CBS News, 2011). The heights of self-deception, it could be argued, are reached when elite bankers claim they are 'doing God's work' (Phillips, 2009). Parallels exist here between 21st-century financiers and Weber's early protestant capitalists who were searching for signs of salvation, with money serving as an indicator of God's grace (Weber, 1930 [1905]). Unlike the frugal early industrial capitalist, however, who reinvested earned profits into production, finance capital is extractive and invites conspicuous consumption even when the world is going to hell. Note, for example, the 'chief of Merrill Lynch who bought an $87,000 area rug for his office as his company was imploding' (Taibbi, 2010).

There is an obvious collective dimension to the above deceptions insofar as the self is a social construction. However, deception becomes a thoroughly collective affair when various parties (who are by no means innocent) swindle each other. At the institutional level, big players have evidently fallen prey to others' deceit. This was hinted at above when Santander 'invested' with Madoff and lost several billion dollars. Another example emerged when Lehman Brothers and Barclays sold JP Morgan 'assets', described as 'goat poo' by Lehman staff in internal email (Humer, 2011). We would argue that money capitalists – insofar as they believe they are simply 'pushing the envelope' or 'just boys doing business' (Newburn and Stanko, 1994) – actively deceive themselves and others in their 'innovative' pursuit of the American dream. Here financiers along with various lackeys, cheerleaders and other ponzi merchants have a collective material interest in believing in and selling dreams, though, as with control fraud, we do not rule out intentional criminality. Credible and credited analyses of the 2008 financial crisis in the UK, for instance, attribute what has been called 'the largest heist in history' to intentional (and negligent) criminal activity. This argument is advanced in Greg Pytel's (2009) report on the predictable problems that arise if banks loan more than they hold on deposit. Even so, we would suggest that the biggest 'victims' of Madoffization may, given their understandable hopes and aspirations in Western (debt-based) consumer culture, unwittingly participate in their own exploitation amidst asymmetrical knowledge/power. Indeed, while we would avoid a deficit model of social actors as cultural dopes, it is fair to assert that public consent to such processes has been actively manufactured over the past four decades as neoliberalism swept the globe (Harvey, 2005). The precise nature and costs of such exploitation, of course, vary depending upon people's social structural location, culturally forged aspirations and willingness to participate in and reproduce a scheme built on shared illusions/delusions. The debt-leveraged housing bubble provides a worthy case study in that respect.

Secrecy and Silence

Accumulation of debt through deceptive or fraudulent practices necessitates walls of secrecy and silence. In the Madoff case, intermediaries acted like a curtain that veiled the putatively 'magical' workings of the financial wizard while unfavourably redistributing risk to others. As explained by Markopolos (2010), Madoff's deception was difficult for clients to detect since direct contact was rare. Madoff preferred to deal primarily with feeder funds. Some clients were unaware that Madoff had their money. The investors that did have access to Madoff were threatened with having their money promptly returned to them if they ever talked of their dealings (Markopolos, 2010: 38).

Other researchers have commented on the micro-sociological dynamics at play here. Drawing from criminological literature on white collar crime and 'the trusted criminal', alongside Georg Simmel's classic writing on secret societies, Henk van de Bunt (2010) offers some interesting insights. Namely, Madoff's fraudulent activities were sustained over time not simply due to his ability to hide his scam (his strategy was imperfect and 'red flags' were raised, as previously noted) but also because many victims and experts, as well as regulators, had reasons to keep quiet.

Similarly, silence may be bought as part of the shady workings of the broader Madoffized society: van de Bunt (2010) cites the Enron scandal, which implicated parties ranging from corporate executives and accountants to other employees and investors. Elsewhere in the US, Taibbi (2010) draws attention to 'semi-secret government exemption' granted to Goldman Sachs to trade in commodities, notably oil, using financial derivatives that were hitherto only permitted for foodstuffs and which were originally intended to protect farmers' livelihoods. And, after the 2008 banking collapse, Taibbi mentions the secrecy surrounding the multi-trillion dollar bailout, with the privately owned Federal Reserve using an obscure law to block most congressional audits. No doubt, other issues could also be explored here, such as the secretive 'shadow banking system' with its 'off-balance sheet' (unregulated) transactions (including re-hypothecation, described above in relation to MF Global's bankruptcy).

During the Madoffization process, when society is euphorically gripped by apparent wealth creation (read: debt expansion) there is an implicit, if not explicit, belief that some things are best left in the shadows or untouched (or barely touched, as in 'light-touch' financial regulation). This element of Madoffization, then, implicates groups who should anticipate problems but who have a vested interest in not enquiring and enforcing rules or, if they are suspicious or openly aware of immoral/illegal practices, not speaking out for various reasons (e.g. the fear of reputational damage). Similarly, Hassan (2011: 386), when discussing the current crisis in capitalism, writes that 'policymakers, economists and traders and bankers whose thoughts, actions and rationalizations were determinedly elsewhere' ignored the warnings from certain economists, such as Steve Keen, who drew attention to the 'darkening skies' (also see Bezemer, 2009). This problem was also clearly observed in 'Celtic Tiger' Ireland when certain commentators warned of the property bubble in advance of the collapse. Taoiseach Bertie Ahern infamously responded to any such suggestion in 2007 as such: 'sitting on the sidelines cribbing and moaning is a lost opportunity. I don't know how people who engage in that don't commit suicide' (cited by McCullagh, 2010: 38). In making such remarks, political elites sought to gag critics through fear of ridicule. This added further fuel to an out of control market that subsequently burnt to the ground.

Similar to other interacting and reinforcing elements of Madoffization, then, we would be quite clear that efforts to maintain secrecy and silence go beyond the individual: this element runs through a broader configuration of social practices and institutions that have woven a web of fictions. Moreover, not only have these fictions exacerbated the socio-economic and political problems currently witnessed in the USA, Europe and beyond; they are continuing to have corrosive effects. Note how, according to mainstream media discourse and political spin, the 'mysterious' workings of 'impersonal markets' determine the fates of populations much akin to vengeful gods who we can never know. Hassan also draws attention to the secretive and consequential nature of financial capital, when he writes: 'the economic fates of millions are tied to *super-secretive* financial entities, and to democratically unaccountable individuals who continue to see the world and its opportunities through the same perspective they did at the height of the boom' (Hassan, 2011: 398 [emphasis added]). Hassan adds to this when discussing the role of ICT and computer generated algorithmic trading, comprising programmes that are 'developed and deployed in secret' (Hassan, 2011: 399). At the same time, this also entails 'many politicians, in the context of not really knowing what they are doing, and not ideologically predisposed toward fundamental alternatives to neoliberal dynamics' appearing ostrich-like when they 'shut their eyes' and 'cover their ears' (Hassan, 2011: 400). We share Hassan's pessimism when he writes: '[t]he crisis next time will arrive sooner and be more devastating than the last'. The crisis tendency of financial capitalism is compounded by other corrosive elements within the Madoffized society.

Obfuscation: Ideological Misrepresentations and Misrecognition

Agents and benefactors of Madoffization do not simply rely on secrecy and silence. They also have a tendency to publicly obfuscate the reality and (unintended) consequences of their corrosive practices to ~~keep them hidden from~~ other people and themselves, as suggested by our discussion on mass deception and self-deception. The success of obfuscation depends upon hegemony and the power of ideology, which is a vehicle for misrepresentations and misrecognition. As Peter Berger (1963) explains, ideology enables people to act with sincerity when espousing what others consider lies.

In that respect, then, obfuscation, or obscuring the reality of class exploitation and 'the fictions of fictitious capital' (Hudson, 2010), adds another layer of complexity to our discussion. When exploring Madoffization we want to be clear that we are not simply or necessarily dealing with outright deception and conspiracies by trusted criminals, relevant as these may or may not be in specific cases that are brought before the legal system. Secret societies, co-conspirators and white collar criminals who have a shared interest in keeping quiet through fear of exposure and punishment should not be ignored and trivialized, though what we describe as Madoffization includes the possibility of a far more mundane yet threatening process. Indeed, and following Naomi Klein's (2007: 426) argument about disaster capitalism, where she asserts 'no conspiracies are necessary', it could be posited that Madoffization is altogether 'less sinister and more dangerous'. If obfuscation is to cloud an issue, in the context of Madoffization the cloud is extremely dark and expansive, and it limits the possibility of clear vision in the higher reaches of society. Madoffization effectively blinds people – such as politicians and economists who could make a difference – to how 'the financial leech is killing its economic host' (Hassan, 2011: 399). Two forms of obfuscation, relating to different stages of Madoffization, immediately stand out.

First, when Madoffization seemingly yields fantastic gains, money capitalists misrepresent various 'financial instruments' or 'commodity money forms' (Derivatives, Structured Investment Vehicles, Credit Default Swaps, etc.). These forms constitute 'a complex web of assorted products that allowed for profits to be made' (Hassan, 2011: 387), ostensibly at zero risk to individual 'investors' through hedging (insuring) with a counterparty. Yet, as subsequently transpired, these products proved immensely destructive, representing the modern day incarnation of those 'insane forms' that Marx (1991 [1894]) condemned when critiquing fictitious capital. More contemporaneously, even the mega-rich raised concerns about 'mad' financial instruments several years before the current crisis: in 2003 Warren Buffett, albeit for personal reasons, referred to these instruments as 'financial weapons of mass destruction' (BBC News, 2003). In that respect, 'mad' might read M.A.D. (mutually assured destruction), though such wordplay obscures the fact that the toxic fallout from financial weapons is not evenly distributed in class-divided societies; indeed, it emerged that Buffett was concerned about derivatives before they imploded because he owned 'US$63 billion himself and [was] pushing for the amendment of the US Senate bill requiring that they be insured against loss' (Ticktin, 2010: 371). Extending the military metaphor in order to critique rather than profit from 'banker style world capitalism', Hudson lambasts these instruments as weapons of financial warfare that are more effective than tanks and bombs (Guns and Butter, 2011). The attempted obfuscation of these explosive mechanisms of profiteering – at least when ponzi finance appears to generate wealth – constructs a chimera of respectability and means–end technical competence deserving of massive remuneration, as exemplified by the bankers' bonus culture. Such 'rewards' (spoils of class warfare and Madoffized finance, we might say) allegedly serve to incentivize 'the very best' who generate quick profits. This has continued even after financial institutions were exposed as castles, or rather casinos, in the sky.

Second, and connected to the misrepresentation of esoteric financial instruments and mechanisms of wealth transference, is the on-going misrecognition of power relations and the putative 'remedial interventions' demanded by such relations. This aspect of Madoffization unfolds as powerful groups endeavour to proceed with their incredulous fantasy of unlimited accumulation (at public expense), or justify this in line with dominant ideological interests. For example, Hassan (2011: 395 [emphasis added]) notes how, when the financial crisis exploded, the government 'rescue plan' entailed 'the *obfuscation* and anesthetization of the general population by labelling the propping up of the fatally flawed economic system as a "stimulus package"'. As per Pierre Bourdieu's (1999) concept of misrecognition in his studies of class domination and the social causes and patterning of human misery, such obfuscation has injurious effects that are trivialized, re-framed or ignored by those who benefit from existing class arrangements (e.g. politicians who routinely refer to savage austerity cuts as 'savings'). Misrecognition emerges in the Madoffized society as architects and chief benefactors of this extractive process attempt to sustain their hegemony, broader influence and 'ill-gotten' gains through the socialization of private losses.

Despite resistances among an increasingly savvy and politicized public, we are mindful of how the political and economic elites use channels of mass communication (misinformation, propaganda) to reiterate stupefying claims that 'we are where we are', there is a 'need for solidarity' and 'we must all share in the pain' (McCullagh, 2010). This element of obfuscation, then, is especially salient for the power elite when vast numbers of people, unwitting victims of Madoffization, face an altered (that is, impoverished and dire) economic reality. Obfuscation could be described as ideology in practice or what Hudson (2010: 438) terms 'covert ideological manipulation' in the midst of an 'economic counter-Enlightenment' that has largely silenced critics. This manipulation is facilitated via 'junk economics and junk accounting, which are the logical complements to fictitious capital' (Hudson, 2010: 425).

Such obfuscation, which is ongoing in various nations, has been documented by criminologists and left-leaning economists. Black (2005: 10) explains how US regulators sought to cover-up S&L control fraud once it had surfaced by endorsing 'absurd accounting abuses like "loan loss deferral" (which meant not recognizing losses currently)'. This, in turn, provided conditions for a subsequent wave of control fraud. More recently, ideology in practice is laid bare in post 'Celtic Tiger' Ireland, as per Michael Taft's (2011) critique of the supposedly independent Fiscal Advisory Council's (FAC) first report on the 'positive' impact of government austerity on the nation's deficit. After identifying mistakes in the initial and subsequently withdrawn report, Taft explains that the FAC compounded their mistakes with 'spin designed to mislead readers'. Obfuscation is a close cousin of scapegoating, the final element of Madoffization that we will consider.

Scapegoating: Pointing the Finger of Blame at Myriad Targets

As with attributions of deviance and blame, scapegoating is a labelling process. It is especially salient when ponzi schemes collapse (or when they should have collapsed but are propped up though massive injections of liquidity as per government bailouts of the FIRE sector). During the end-stage of Madoffization, scapegoating comes into play through an individual and collective desire for identifying, blaming and punishing alleged culprits. We might argue that Bernie Madoff, regardless of his criminal intentions, was treated as a scapegoat within an expansive *system* that spawned him, enabled him and others to profit and which is comparable in form if not content. As with the specific Madoff case, this element may discredit key players, though it is much more likely to hurt the greater number of people at the bottom of the social structure (pyramid scheme) as the system falls apart or is put on life-support.

Scapegoating implicates multiple agents or actors. The everyday targets of scapegoating range from the person who acquired a large mortgage at the height of the property boom, and who can no longer afford repayments, to the entire population of odiously indebted nations. The latter has been recurrent during the 2011 Eurozone crisis where the risk of a Greek default was accompanied by racist stereotypes in the international media. Scapegoating, in that respect, could be defined as a form of 'symbolic violence' (Bourdieu, 1999) enacted within and reflective of a hierarchy of status, perceived culpability and search for remediation. And, as governments socialize private FIRE sector debts, vulnerable groups are increasingly likely to be stigmatized as undeserving, unproductive and parasitic on the system (an incredible inversion, given that it is in fact finance capital that is parasitic). For example, stoked by a right wing media, waves of scorn are poured on the unemployed, public sector workers, single mothers, the chronically ill plus young people and trade union members who take to the streets in protest. All these groups have been demonized and risk being continually degraded in the Madoffized society. This is part of a quasi-Victorian morality play (Monaghan and O'Flynn, 2012), which, as with relations of stigma on a more macro scale, is crucially linked to perceived social value, entitlement to community membership and the wider distribution of scarce resources.

Scapegoating already subordinated groups entails processes of hegemony where the dominant are struggling to assert their threadbare definition of the situation. This is clearly illustrated in post 'Celtic Tiger' Ireland as the political and economic elites attempt to shift the negative spotlight from themselves onto the population at large (McCullagh, 2010). However, power meets resistance and the table is being turned. As with the global Occupy movement, which is pilloried by various elites (Taibbi, 2011), scapegoating extends to elite bankers who are presented as the parasitic one percent who exploit the remaining 99 percent of the population. Thus, as with journalistic accounts of white collar crime and banking fraud, the top one percent are typified and condemned as monstrous figures of popular culture. While we are highly critical of the scapegoating of vulnerable and exploited societal members, we would, as with the specific Madoff case, avoid being seduced by efforts to scapegoat banking institutions and 'substitutable' elite bankers or financiers. Money capitalists, as with capitalist executives more generally, simply 'surf on prevailing social structures', notably 're-invigorated relations of class' (Scambler, 2006: 276). Our circumspection, we would stress, is not motivated by any interest to protect Goldman Sachs, or Wall Street more generally which is likely to continue with its mass (self-)deception, exploitation, secretive practices and obfuscation for as long as possible. Rather, we have distinct sociological concerns, rooted in a critical understanding of the Madoffized society qua network of exploitative social relations.

In resisting the seductive and populist idea that the financial powerhouse Goldman Sachs, for instance, is 'a singularly malign force that is bent on world domination', Hassan (2011: 397) writes: 'Goldman Sachs merely is the most efficient reflection of an economic system that is out of control'. As with Hassan's analysis of the speed of economic collapse and his critique of government attempts to 'fix' this, there is a need to go beyond accounts that are preoccupied with the immediate present, and, we would add, touch the surface of the Madoffized society. Explicitly referring to 'the demonization of Wall Street and its high profile bankruptcies', Hassan (2011: 386–7) asserts that such 'ready-to-hand' explanations have also enabled 'the finger of blame' to be pointed at 'narrowly logical targets' such as Bernie Madoff (or, more recently as we finalize this article in March 2012, Allen Stanford in the US and Kautilya Pruthi in the UK). In short, we would favour efforts critically to engage deeper mechanisms, figurations, relations and logics, with their antecedents in historically unfolding conditions and systemic contradictions.

Correspondingly, we do not accept the popular depiction of Madoff as an aberration, just as we do not swallow the claim that government regulators in that case were 'bureaucratic dullards' (a view conveyed in a~~n~~ SEC 2009 investigative report, but which was contradicted when many of these individuals were subsequently promoted) (Lewis, 2010b: 538). Following Black (2005), the consequence of desupervision is that all those holding to formal rules are driven out of business (a Gresham's dynamic). Those whose practices are restricted by the ethics of the old system are necessarily expelled from their firms, or out of positions of power, leaving those most willing to 'stretch the envelope' (and commit white collar crime) to rise to the top. This is partly why Žižek (2009: 3~~5–~~6) objects to the depiction of Madoff as 'a corrupt scoundrel, a rotten worm in the healthy green apple'. Žižek prefers to ask: 'Is it not rather that the Madoff case presents us with an extreme and therefore "pure example" of what caused the financial breakdown itself?' In other words, if Madoff became a ‘rotten worm’ it was in adaptation to an environment that he was not personally responsible for creating.

In short, to scapegoat Madoff is to avoid consideration of what led Madoff to become what he was. To be clear, we have no intention of trivializing Madoff’s victims, their sometimes harrowing testimonies and reasons for vilifying Madoff as a monster or worse (see Lewis, 2010a, 2010b). However, we would maintain that the practice of explaining the affair in terms of some inherently evil individual qualities – a recklessness, ruthlessness or irrationality not evident in many other people – is yet more obfuscation. The social expression of these apparent traits (of which Madoff represents only an exaggerated example) occurs in waves under particular social conditions. Once we shift the focus away from the less flattering aspects of Madoff’s personality and dealings, and consider the institutional structure that enabled him to transform his business into a multi-billion dollar ponzi scheme, we find that the latter is of far greater consequence.

Conclusion

We began by posing a question: was Madoff’s ponzi scheme exceptional or does it tell us something about a much more pervasive and destructive process? We are of the view that far from being aberrant, his scam was a socio-logical consequence of the predominant debt-based forms of accumulation that were deliberately fostered in the post-1970s era of global neoliberalization. We suggest that the success of Madoff – and those ponzi schemers that have as yet avoided prosecution – depends less on the genius of individual fraudsters than on the systemic fictions and obfuscations of finance capital. The dominance of the latter ultimately depends on misplaced trust in an extractive system geared towards the reproduction of increasingly inequitable and exploitative social relations. In short, mass deception, efforts to maintain secrecy and silence, obfuscation and scapegoating are instrumental in the Madoffized society albeit while sowing the seeds for ongoing conflict on a global stage. This is the madness of Madoffization, where ‘insane forms’ prevail. Ticktin’s (2010: 373) conclusion on today’s crisis therefore seems especially apt to us: ‘“Whom the gods would destroy they first make mad” is a good description of the present stage of capitalism’.

The irrational processes characterizing global neoliberalization, along with those elements we have referred to as Madoffization, are both rooted in the internal contradictions of financial capitalism and its constantly expanding claims on wealth. Madoffization entails borrowing from the future, loading debt onto the vast majority of a population to the benefit of wealthy elites seeking to protect, consolidate and amplify their class-based interests. The role of economists, regulatory bodies, rating agencies, the mass media and government officials have all proven crucial to the systemic reproduction of the necessary obfuscations, which became increasingly pervasive as the financial cycle reached its super-speculative (ponzi) stage (Rasmus, 2008). We would add that where speculative finance dominates economic activity, the elements of Madoffization quickly follow. Mountains of debt, waves of fraud, economic collapse and social unrest become inevitable. Though the Madoff scam may have emerged partly as historical accident, Madoffization is a product of the prevailing forms of accumulation that know no bounds. The global dominance of finance capital is inseparable both from the over-accumulation of capital and ever sharpening class antagonisms. Within this volatile mix Madoffization serves to facilitate, and thereafter postpone, the consequences of debt expansion, which must ultimately result in widespread default, sharp asset-price collapse and insolvency of financial institutions (or, more disturbingly, entire nations following the socialization of private losses).

Significantly, it was those commentators who most resolutely rejected neo-classical economics who managed to anticipate the implosion of finance capital. After careful analysis of the most accurate warnings, Dirk Bezemer (2009) shows how the abandonment of the neo-classical model was prerequisite to the awareness of instability and the significance of debt. Those that rejected mainstream views, such as Australian economist Steve Keen (1995), could see that periods of apparent stability were illusory, that a continuous growth in the ratio of private debt to GDP would eventually end in financial collapse. Keen (2006) went public at a time when conditions of euphoria prevailed, when asset-price inflation fuelled risky borrowing and lending, and vice versa. Keen warned that more debt was incurred than the system was capable of financing, and that financial collapse was inevitable. Such prescience was not limited to hitherto marginalized economists either; as with Harvey (2006 [1982]), Marxian scholars addressing geographical questions correctly anticipated the cataclysmic crash.

The inevitable implosion of finance capital, which revealed its ponzi character to the world, has not led those mainstream economists who facilitated the systemic deception to atone for (or even admit) their own complicity. On the contrary, many have sought to hide the deception that has been uncovered with yet more deception. Rather than acknowledging the ponzi character of the system that has imploded – or scrutinizing the contradictions, interests, mind-sets, corruptions and institutional arrangements at play – financiers and their representatives are working on an even more brazen deception: convincing the world that no one could have seen the crisis coming; a message pushed despite an observable history of repeatedly ignored warnings.

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